

UNC Transmission Workgroup Minutes
Thursday 05 November 2020
via Microsoft Teams

Attendees

Lorraine O'Shaughnessy (Chair)	(LOS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Bates	(AB)	South Hook Gas
Alex Nield	(AN)	Storengy Ltd
Andrew Green	(AG)	Total Gas & Power (joined late)
Andrew Pearce	(AP)	BP
Angus Paxton	(APa)	AFRY
Anna Shrigley	(AS)	Eni Trading & Shipping
Anna Stankiewicz	(ASt)	National Grid
Bethan Winter	(BW)	Wales & West Utilities
Bill Reed	(BR)	RWE
Christiane Sykes	(CS)	Shell Energy
Chris Wright	(CW)	Exxon Mobil
Colin Williams	(CWi)	National Grid (additional agenda item at 11am)
Daniel Hisgett	(Dhi)	National Grid
Dave Adlam	(DA)	SGN (agenda item 3.1 only)
Debra Hawkin	(DH)	TPA Solutions Ltd
Emma Buckton	(EB)	Northern Gas Networks
Eric Marston	(EM)	SAGE – North Sea Ltd – Ancala Midstream
Henk Kreuze	(HK)	Vermilion Energy (agenda item 6.2 only)
India Koller	(IK)	SGN (agenda item 3.1 only)
Jeff Chandler	(JCh)	SSE
Jennifer Randall	(JR)	National Grid
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	Conoco Phillips
Kamila Nugumanova	(KN)	ESB
Kirsty Dudley	(KD)	E.ON (agenda item 6.2 only)
Malcolm Montgomery	(MM)	National Grid
Max Lambert	(ML)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Pavanjit Dhesi	(PD)	Interconnector UK
Phil Hobbins	(PH)	National Grid
Phil Lucas	(PL)	National Grid
Rachel Hinsley	(RH)	National Grid (agenda item 1.5.1 only)
Richard Fairholme	(RF)	Uniper
Ricky Hill	(RH)	Centrica
Shiv Singh	(SS)	Cadent
Sinead Obeng	(SO)	Gazprom
Steven Britton	(SB)	Cornwall Insight
Steve Mulinganie	(SM)	Gazprom Energy (agenda item 6.2 only)
Terry Burke	(TB)	Equinor

Tim Davis (TD) Barrow Shipping (agenda item 3.3)

Copies of all papers are available at: www.gasgovernance.co.uk/tx/051120

1. Introduction and Status Review

Lorraine O'Shaughnessy (LOS) welcomed all parties to the meeting and confirmed that the meeting was quorate. In terms of the order of the agenda she sought Workgroup agreement to move Workgroup 0735 to agenda item 3.4.

In addition, to this LOS informed the Workgroup that a request had been received from Colin Williams to join the meeting to provide an important update to industry parties in relation to National Grid's intention to issue an *Indicative Notice of Intention to update Transmission Services Revenue Recovery charges and Non-Transmission Charges*.

1.1. Approval of minutes (01 October 2020)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

LOS advised the Workgroup that the Industry Update from Ofgem and the presentation from SAGE North Sea Limited in respect of the pre-Modification discussion under agenda item 1.51. had been provided late. Workgroup agreed to consider these late papers.

1.3. Review of Outstanding Actions

Action 1001: National Grid (MM) to provide confirmation of what UNC change is needed to address infraction notice in the context of the Security of Gas Supply (EU) Regulation including the timetable for the change.

Update: Malcolm Montgomery (MM) asked for this action to be carried forward until National Grid are closer to raising the Modification.

Carried Forward

1.4. Ofgem Industry Update

Max Lambert (ML) provided an overview of the *Ofgem Industry Update* document published on the [meeting page](#) for this meeting. The update covered the following areas:

- a. Close of RIIO-2 Informal licence drafting consultation for Transmission, Gas Distribution and Electricity System Operator licences

On 30 September 2020, Ofgem began an informal consultation on the proposed changes to the licence conditions required to implement the RIIO-2 price control settlement for the transmission companies, gas distribution networks and the electricity system operator. The consultation document and relevant subsidiary licence documents are published at the link below. The consultation closed on 28 October 2020, and Ofgem are currently reviewing and analysing the responses to these documents.

<https://www.ofgem.gov.uk/publications-and-updates/riio-2-informal-licence-drafting-consultation-transmission-gas-distribution-and-electricity-system-operator-licences>

- b. RIIO-2 Informal re-opener application guidance consultation for Transmission, Gas Distribution and Electricity System Operator licences

Ofgem are consulting on the proposed re-opener guidance and application requirements document that will assist network companies in completing RIIO-2 re-opener applications for submission to Ofgem. The document was published on 12 October 2020 at the link below.

Responses to the consultation should be sent to graham.craig@ofgem.gov.uk by 9 November 2020.

<https://www.ofgem.gov.uk/publications-and-updates/riio-2-informal-re-opener-application-guidance-consultation-transmission-gas-distribution-and-electricity-system-operator-licences>

- c. Decision to grant National Grid Gas ('NGG') a consent to submit the modifications that it proposes to the Entry Capacity Release Methodology Statement unaccompanied by a statement from an Independent Examiner

On 10 September 2020, Ofgem received a letter from National Grid Gas ('NGG') requesting Ofgem to consent to NGG not providing a statement from an Independent Examiner to accompany modifications that it proposes to make to the Entry Capacity Release ('ECR') Methodology Statement in accordance with Special Condition 9A.7 of NGG's Gas Transporter Licence ("the Licence"). On 23 October 2020, Ofgem published their decision to grant the consent for the reasons explained in the letter below.

<https://www.ofgem.gov.uk/publications-and-updates/decision-grant-national-grid-gas-ngg-consent-submit-modifications-it-proposes-entry-capacity-release-methodology-statement-unaccompanied-statement-independent-examiner>

- d. Consultation on changes to the Gas Network Innovation Competition Governance Document version 3.0

This notice explains Ofgem's proposed changes to the Gas Network Innovation (NIC) Governance Document version 3.0. This notice is issued under a number of licence conditions. These are:

- Special Condition 2F of the Gas Transporters Licence for National Grid Transmission
- Special Condition 1I of the Gas Transporters Licence for Distribution Network Operators

Representations on the proposed Modifications must be made on, or before, 12pm on 23 November 2020.

<https://www.ofgem.gov.uk/publications-and-updates/consultation-changes-gas-network-innovation-competition-governance-document-version-30>

1.5. Pre-Modification discussions

1.5.1. Re-introduce Fungibility for Existing Capacity Booked at Bacton ASEPs Amendment to the Gas Quality NTS Entry Specification at the St Fergus SAGE System Entry Point

Eric Marston (EM) introduced a pre-modification for discussion. He highlighted that the Modification was seeking to enable an increase in the carbon dioxide limit within the Network Entry Agreement (NEA) at the SAGE North Sea Limited (SNSL) sub-terminal at St. Fergus between National Grid Gas plc and SNSL.

He pointed out that this Modification was consistent with and identical to a similar enabling Modification (UNC Modification 0607 - Amendment to Gas Quality NTS Entry Specification at the St Fergus NSMP System Entry Point) approved by Ofgem in February 2018 at a neighbouring terminal.

EM provided a brief background and history of the SAGE Terminal at St Fergus highlighting that during normal operations the CO₂ content entering the National Grid is around 3 mol% and that this is predicted to continue falling to 2 mol%. However, some offshore Shipper unplanned events can result in high CO₂ slugs arriving at the terminal. These can be as high as 5.5 mol%. He added that the estimated frequency of these is about 6 events per year with the events likely to last for approximately 48 hours.

EM also explained how the CO₂ is removed using 2 treatment trains one of which has now been fully retired and the other is on standby and used to treat the high CO₂ slugs. As part of an overall terminal rationalisation project there are plans to retire the second treatment train from service at the end of the 2Q 2021.

EM further added that comingling gas from the other St Fergus Sub-Terminals would also help to maintain CO₂ levels entering the National Grid below 4 mol%.

The solution proposed is to increase the NEA CO₂ content from 4mol% to 5.5mol% and also enable the retiral of under-utilised and energy intensive equipment.

The change is considered to be non-material as the Proposer believes that the Self-Governance criteria are met.

LOS thanked EM for the presentation and invited Workgroup comments.

- a. Julie Cox (JCx) asked what happens to the extracted CO₂. EM confirmed that the CO₂ goes into the atmosphere.
- b. Jeff Chandler (JCh) pointed out that the governance of Modification 0607 was Authority Direction and challenged why Self-Governance is being proposed given that if CO₂ is passed to downstream Users then there will be an associated cost. In response, EM indicated that he was happy to reconsider the governance of the Modification.
- c. Nick Wye (NW) sought further clarification of the likelihood of high CO₂ levels and whether the estimated frequency of 6 annual events is accurate and whether the levels could go down due to blending with gas from other terminals. EM confirmed that during normal operations the gas entering the grid would be expected to be blended back down to below 4 mol%. He added that there may be demand at the same time as neighbouring terminal demand but the risk of two high CO₂ events is estimated at one event in every 5 to 10 years and if this should happen then the terminal operators could work with National grid to manage/mitigate the event. He further added that the likelihood of SAGE North Sea having a high CO₂ requirement coinciding with a neighbouring Terminal shutting in due to an unforeseen event is considered negligible with an estimated probability of one event every 1000 years. NW believed that there was a good case for Self-Governance on the basis of the impact on the NTS and customers being negligible.
- d. JCx stated that the Ofgem decision in relation to Modification 0607 indicated that the decision should not be seen as setting any future precedent and suggested that the reasons set out in the letter need further exploring at Workgroup.
- e. EM stated that consequential impacts are not expected on neighbouring terminals.

LOS thanked EM for the presentation and confirmed that the proposer intends to raise this Modification for the November Panel meeting.

1.5.2. Mandatory setting of Bid Parameters

Malcolm Montgomery (MM) introduced a Modification that National Grid are intending to raise at the November UNC Modification Panel meeting.

The Modification aims to address User errors in the capacity auctions/applications process. He explained the impacts if bids are entered incorrectly in terms of price and quantity and pointed out that National Grid do not have a role to monitor or police User Bids placed on Gemini. There are User Validation settings that can be switched on by the User to help manage the risk of erroneous bids being placed.

The Modification proposes to make it mandatory for Users to set bid parameters prior to participating in auctions for daily products. He highlighted that this would be a small but one-off inconvenience for Users for each auction listed but would help to reduce the ongoing risk for all Users. The relevant bid parameters would be *Bid Price* and *Bid Value*.

This precondition to being able to place a bid in certain auctions would be added to the UNC auction rules.

MM talked through an example before inviting Workgroup comments.

In response to a question, MM confirmed that Shippers can have different parameters and also that the limits are Shipper and auction specific.

NW asked if the Modification would be extended to preclude any disputes being raised. MM suggested that it is likely to reduce the frequency of disputes.

MM concluded his presentation by stating that 2-3 Workgroup meetings are envisaged.

1.5.3. Revisions to User Termination Provisions

Phil Lucas (PL) introduced a Modification that National Grid intend to submit for the November Panel meeting. It concerns the changes necessary to the User Termination provisions in the UNC (TPD V4) as a consequence of the implementation of a new piece of legislation: the Corporate Insolvency and Governance Act 2020.

PL stated that this new Act introduced in June 2020 inserts new provision into the Insolvency Act 1986 that limits the ability for Transporters to issue a Termination Notice if the User is subject to a 'relevant insolvency procedure'. These procedures broadly cover administration and voluntary arrangements such as:

- The relevant User enters a voluntary arrangement;
- An administration order is made in respect of that User; or
- An administrative receiver is appointed.

For the UNC, this means that the ability of a Transporter to issue a Termination Notice on the basis of a User Default triggered by these instances is constrained by the new legislation.

Given the prevalence of primary legislation in any conflict with the provisions of the UNC, in practice Transporters are already subject to these constraints. Transporters, therefore, believe it is appropriate to modify the UNC to acknowledge that the relevant UNC provisions (i.e. regarding User Default and the ability to issue a Termination Notice) are subject to the limitations introduced by the new legislation.

NW sought clarification of what this would mean in practice. PL confirmed that where a User has a voluntary arrangement in place or an administrative receiver is appointed then National Grid cannot issue a Termination Notice for the duration the User is in the 'relevant insolvency procedure'. The exception to this is where the User has provided consent.

In response to a question from Richard Fairholme (RF), PL confirmed that the risk is that the User can continue to accrue debt and also the reduction in the circumstances of when a Termination Notice can be issued.

RF acknowledged the need for the change to align with legislation but queried whether the change as proposed is helpful as it does not limit the ability for Users to accrue any further debt. He asked if any discussions had taken place with the Energy Balancing Credit Committee(EBCC).

PL concluded his presentation by confirming that initial discussions had taken place with Brendan Gill(Xoserve) in relation to this and a minor change is likely to be needed to the energy balancing credit rules. He confirmed the intention to submit this Modification for the November Panel meeting and suggested that 3 months development time is needed at Workgroup. In terms of the governance he suggested that Self-Governance will be proposed on the basis that the legislation has been implemented and National Grid are therefore subject to the limitations.

2. European Codes Update

Phil Hobbins (PH) provided a brief update on two areas:

- a. Equinor and Engie have raised a functionality issue in relation to data exchange protocols between capacity booking platform operators and Shippers. A document based common data exchange solution has been requested. Consultation responses to this change has been overwhelmingly supported and therefore a change to documentation is highly likely in respect of interoperability codes.
- b. ENTSOG 2050 Gas Grid Initiative – This is continuing to progress intensively particularly in relation to gas quality and Hydrogen handling to support the achievement of decarbonisation.

3. Workgroups

- 3.1. **0705R – NTS Capacity Access Review 0671 – New Capacity Exchange process at**
(Report to Panel 21 October 2021)
www.gasgovernance.co.uk/0705
- 3.2. **0735 - UNC Changes as a consequence of the absence of trade agreement/s between the United Kingdom and the European Union ('no deal')**
(Report to Panel 19 November 2020)
<http://www.gasgovernance.co.uk/0735>
- 3.3. **0738 - Incremental NTS Entry Capacity Surrender**
(Report to Panel 17 December 2020)
www.gasgovernance.co.uk/0738
- 3.4. **0739 - Aggregate overrun regime for Original Capacity held at the Bacton ASEPs**
(Report to Panel 21 January 2021)
<http://www.gasgovernance.co.uk/0739>

4. GS(M)R Review

Phil Hobbins (PH) provided an update confirming that the IGEM Gas Quality Working Group is currently considering the issues raised in the consultation responses on changing the UK gas quality specification and putting it into a new IGEM standard. The next step is to agree the final version of the standard so that it can progress through the IGEM's governance process prior to a HSE consultation.

Separate to this, the Health and Safety Executive (HSE) are preparing the Government Impact Assessment and consultation on the GS(M)R change proposals. The planned timetable is for the consultation document to be published in June 2021 with the changes coming being implemented in April 2022.

PH also reminded Workgroup that the blending consultation closes on 13 November 2020.

Christiane Sykes (CS) stated that only technical issues are being addressed by the IGEM and commercial issues through BEIS and the wider review. Any other issues arising from the process may have to be addressed through UNC changes.

PH stated that he did not expect Government to implement the standard across all Entry points immediately and suggested that Entry Points would still have to make individual cases through the UNC process.

5. Issues

No issues were raised.

6. Any Other Business

6.1. National Grid Customer Satisfaction Surveys

PH provided an update on National Grid's Customer and Stakeholder Satisfaction Surveys which are on-going. He briefly shared some areas of feedback in terms of what industry parties thought National Grid did well and also suggestions for areas for improvement.

The next step is for National Grid to identify the common themes from the feedback before the development of action plans to address the themes.

PH agreed to provide a further update in January 2021 and thanked industry parties who have already participated in the survey.

6.2. Indicative Notice of Intention to update Transmission Services Revenue Recovery charges and Non-Transmission Charges

Colin Williams (CWi) joined the meeting to provide an important update to industry following the implementation of Modification 0678A - *Amendments to Gas Transmission Charging Regime (Postage Stamp)*.

CWi explained that even though it has only been one month since Modification 0678A has been implemented, National Grid has observed Shipper actions that are not entirely consistent with the Forecast Contracted Capacity (FCC) methodology that was developed. Whilst the trend towards lower overall capacity bookings was expected and accounted for in the FCC assumptions, the scale of the change is much greater than had been assumed. One of the effects of this has been a significant increase in the volumes of capacity revenue flowing through the capacity neutrality process, again a change of this significance had not been anticipated.

Given the scale of the under recovery and the potential impact this presents to customers both this year and into subsequent years, National Grid intends to address this through a combination of options:

1. Use of the revenue recovery mechanisms under the new methodology in the timescales permitted under National Grid's Licence.
2. Proposal for UNC changes with respect to Capacity Neutrality to ensure consistency with its intent and the developments in capacity bookings. This would avoid disadvantaging any Shipper and preserve the integrity of the charging methodology introduced from October.

He acknowledged the short notice being given to industry parties of the need for National Grid to act quickly to issue an *Indicative Notice of Intention to update Transmission Services Revenue Recovery charges and Non-Transmission Charges* on 05 November 2020.

He explained that further detail will be shared with industry parties the week commencing 09 November 2020 and that a series of webinars will be held for all Shippers and interested stakeholders on Tuesday 10 November 2020. An opportunity for 1:1 discussion will also be provided and queries can be sent to colin.williams@nationalgrid.com.

NW asked whether there would be a compressed timetable for increased charges and if that would be from 01 December 2020. CWi suggested that it is more likely to be from 01 January 2021.

NW also asked for more detail on the change needed in relation to the capacity neutrality process. CWi indicated that National Grid would be looking at the volumes of capacity revenue flowing through the capacity neutrality process and the reasons for this. The focus will be on revenue elements such as within day and interruptible capacity.

Anna Shrigley (AS) sought more information in relation to the indicative scale of variation between the actual and forecasted capacity captured for October 2020. CWi indicated that more detail would be provided at the webinar.

Steve Mulinganie (SM) raised a concern about the manner of the introduction of this topic in terms of the speed of the change and short notice given the considerable impact on customers and the magnitude and importance of the change. He suggested that clear, concise and plain English communication is needed for industry parties throughout the supply chain with clear messages.

CWi thanked SM and acknowledged the importance of the communication messages that would be needed.

7. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Venue	Workgroup Programme
10:00 Thursday 03 December 2020	Teleconference	Standard Agenda plus GS(M)R Review to be added
10:00 Thursday 07 January 2021	Teleconference	Standard Agenda plus GS(M)R Review to be added

Action Table (as at 05 November 2020)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
10/01	01/10/20	2.0	National Grid (MM) to provide confirmation of what UNC change is needed to address infraction notice in the context of the Security of Gas Supply (EU) Regulation including the timetable for the change.	National Grid (MM)	Pending